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Hearing on the Renewable Fuel Market  
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Mr. Chairman and Members of the committee, thank you for the opportunity to testify today on behalf of General Motors. I am Mary Beth Stanek, Manager of General Motors Strategic Initiatives, and I am leading several aspects of General Motors efforts to support renewable fuels through partnerships with groups around the country. I am also supporting our national Live Green Go Yellow marketing campaign for "Flex Fuel" vehicles capable of running on E85 ethanol.

This morning, I would like to cover several aspects of the renewable fuel market including the benefits of E85, our current model offerings, national and regional marketing efforts and our infrastructure partnership activities to-date.

We live in a period of unprecedented change in the automobile marketplace. Today, we are bringing to the marketplace a range of advanced vehicle technologies, like hybrids and active fuel management, that are increasing fuel efficiency, and diversifying our vehicle fuels away from petroleum. While we believe it is hydrogen fuel cell technology that will ultimately end our addiction to oil, that is a solution that will emerge in the next decade. Today, one of the best opportunities to significantly reduce the demand for oil in the transportation sector is to displace petroleum-based fuels with biofuels, particularly E85 ethanol.

We believe there are many benefits of using E85 including

- Ethanol being a renewable fuel
- Using E85 helps reduce greenhouse gas emissions
- Using E85 helps to reduce dependence on petroleum and helps to create greater diversity in our nation's energy supplies and sources
- Using E85 helps to reduce smog forming emissions
- Using E85 can help to support the domestic agriculture industry in the U.S. and support new job growth

**Flex Fuel Vehicles**

Because of the very successful CAFE credit program, there are currently over 5 million E85 flex fuel vehicles on the road. GM currently has over 2 million flex fuel vehicles registered in the United States. This year, we will sell over 400,000 flex fuel vehicles. If all of these vehicles were running on E85, we would offset the need for 3.6 billion gallons of gasoline per year.

General Motors produces a broad lineup of flex fuel offerings including the Chevrolet Tahoe, Suburban, Silverado, Avalanche, Impala, Monte Carlo and GMC Yukon, Yukon

XL and Sierra. General Motors recently announced the addition of several new models and products including: Chevrolet Uplander, Express, Pontiac Montanan SV6 for Canada, GMC Savana, Saturn Relay and Buick Terrazza increasing our model count from nine to seventeen.

## **25 x '25**

General Motors believes that flex fuel vehicles and renewable fuels like ethanol are poised to drive a fundamental shift in the transportation energy sector. That's why we – along with Ford and DaimlerChrysler - have endorsed the vision of the "25 x '25" campaign. Particularly in the transportation sector we believe it is entirely possible to replace 25% of our oil consumption with renewable fuels by 2025. We are fully committed to playing our roll in making this happen with increase offerings of flex fuel vehicles.

But we can't reduce the nation's dependence on oil simply by having these vehicles on the road. We need the ethanol and the fueling network to make it available to consumers. We believe the country should aim to give most Americans reasonable access to E85. To us, this means having E85 pumps as at least 20% of stations nationwide. We think this could happen within the next few years.

## **Governors Ethanol Coalition**

While General Motors is not in the fuel business, we believe we have a valuable role to play in developing E85 infrastructure by partnering with other stakeholders. For example, GM has partnered with the Governors' Ethanol Coalition to educate the public and promote the benefits of using ethanol. As part of this collaboration, GM has loaned E85 flex fuel vehicles to 28 states and organizations so that they may use them in their promotional activities. This partnership has been extended for 2006 and the loan of GM's 2007 E85 flex fuel vehicles is underway.

The member states include: Alabama, Arizona, Arkansas, Colorado, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Washington, Wisconsin and Wyoming. Puerto Rico is also a member.

## **Live Green, Go Yellow**

In addition, General Motors launched the national "Live Green Go Yellow" advertising campaign at the 2006 Super Bowl XL. After the Super Bowl, the campaign continued during the 2006 Winter Olympics, and the campaign continues today. The unmatched visibility and viewership of these events offered a great opportunity for us to launch a major marketing and advertising campaign to promote ethanol and flex fuel vehicle technology that put a focus on key energy diversification issues, and helped us illustrate a core element to GM's overall vehicle strategy. Web traffic to our

Livegreengoyellow.com website has run in the millions as consumers investigate E85, GM flex fuel vehicles, and look for E85 stations in their area.

### **Yellow Caps and Badging**

As a further part of our E85 outreach, we are equipping E85 capable Chevrolet and GMC cars and trucks with yellow fuel caps and exterior flex fuel badging. The yellow cap is a regular reminder that consumers have a fuel choice each time they fill up their tank. We think the yellow gas cap should become the industry standard, and have offered it at no charge to other auto makers. We are very pleased that Daimler Chrysler has announced it intends to join us in using the yellow gas cap as a symbol of flex fuel capability. And for our customers who already own a flex fuel vehicle, we will be implementing a program later this year to offer yellow gas caps and flex fuel badging for many of our older flex fuel models.

GM is also working on several regional and local marketing efforts in conjunction with the Live Green Go Yellow campaign. We have intensified efforts to help the public understand the benefits of E85, including enhanced labeling, dealer and consumer education, collaboration with state and federal ethanol initiatives, and continued support of industry events. We are currently working with Weekly Reader on a student education effort that will reach 9000 schools.

### **Partnerships**

General Motors is also doing its part to address the shortage of E85 refueling infrastructure by partnering with ethanol producers and E85 marketers to increase the number of available refueling stations. Most recently, we announced that General Motors is partnering with Meijer, CleanFuelUSA, the State of Michigan and the State of Indiana to work towards approximately forty new retail outlets. We have previously announced similar partnerships in California with Chevron, Pacific Ethanol and the State of California; in Illinois with VeraSun, Gas City and an upcoming pilot with Shell; in Minnesota with VeraSun and Erickson Oil; and in the State of Texas with Kroger and Abengoa Bioenergy in 2006. In 2005, GM co-marketed fuel coupons and owner awareness in Sioux Falls, South Dakota. General Motors will be announcing two additional partnerships in July with more to come.

The key to our partnerships has been support from state governments, favorable pricing by ethanol suppliers and retailers and the development of continuous consumer marketing. GM supports these partnerships by promoting awareness among flex fuel owners, company drivers and prospective buyers – we know our customers with flex fuel vehicles and can help drive them to new E85 stations. As an example, in the North Central region GM is offering a \$1,000 fuel coupon with each new flex fuel purchase—supporting our flex fuel marketing effort and our E85 retail partners. This collaborative effort is important to help grow the E85 refueling infrastructure and to increase the availability of the fuel to more E85 flex fuel drivers.

## **Ethanol Pricing**

There is a great deal of discussion today regarding ethanol and gasoline blend pricing. We recognize that because of its value as a blending agent in gasoline, the current price of ethanol is at a record high. In many parts of the country, this has driven up the price of E85 to the point where drivers may not have an economic incentive to buy E85. However, we believe this is a temporary situation, created in large part by the rapid exit from the market of the gasoline additive MTBE.

Congressional incentives and market forces are causing ethanol capacity and supply to increase rapidly, which will in turn cause supply and demand to come more into balance. As shown in Attachment A, U.S. ethanol plants currently under construction will bring production to over 6 billion gallons next year. In addition, announced facilities not yet under construction are likely to increase that to over 10 billion gallons by 2010. When ethanol supplies exceed the demand from refiners for ethanol as a blending agent, we expect ethanol prices to fall and the availability of reasonably priced E85 to expand rapidly, with E85 sold at prices that make it equivalent or cheaper than gasoline on a cents-per-mile basis. This will spur the continued expansion of the market with more demand for E85, and more demand for flex fuel vehicles, more fuel diversity and consumer choice, and in the end, more displacement of petroleum.

## **Conclusion**

In summary, GM is working with to develop a host of advanced vehicle technologies and to diversify our energy supply with more alternative fuel choices. GM believes these actions can significantly reduce our dependence on oil, and has endorsed the 25 x'25 vision to replace imported oil with home grown renewable energy. GM is committed to expanding the availability of flex fuel vehicles and is working actively to bringing out a wider range of flex fuel vehicle choices.

GM recognizes that it has a role to play in expanding the E85 infrastructure and is partnering with ethanol producers and retailers across the country to bring more pumps on line. GM recognizes that the current price of ethanol represents a challenge to the growth of the E85 market, but believes that in the not too distant future, market forces will create more of a demand for E85 and flex fuel vehicles. We think this suggests a healthy future for the ethanol industry and more fuel diversity and choice for our customers.

Thank you.

Attachment A

